

EGT2  
ENGINEERING TRIPOS PART IIA

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Thursday 3 May 2018      9.30 to 11.10

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**Module 3E2**

**MARKETING**

*Answer not more than **two** questions.*

*All questions carry the same number of marks.*

*The **approximate** percentage of marks allocated to each part of a question is indicated in the right margin.*

*Write your candidate number **not** your name on the cover sheet.*

**STATIONERY REQUIREMENTS**

Single-sided script paper

**10 minutes reading time is allowed for this paper at the start of the exam.**

**You may not start to read the questions printed on the subsequent pages of this question paper until instructed to do so.**

1 (a) Discuss the functions of information gathering and risk sharing in a marketing channel. [30%]

(b) Fondant, a (fictional) video game developer, has developed the prototype of a new game. To its knowledge, no other developer has developed a similar game. Fondant now needs to commercialise the new game by developing compatible versions of it for video game consoles. There are two major video game consoles in the target market; one console has approximately 70% market share, the other has approximately 30% market share. Fondant is now considering three feasible options: (i) develop a compatible version of its new game for only the console with the larger market share; (ii) develop a compatible version for only the console with the smaller market share; (iii) develop compatible versions for both consoles. Discuss the pros and cons of these options for Fondant. Note that Fondant would have to pay licence fee(s) to the relevant console(s) in each option; the licence fee for each console would be determined upon negotiation between Fondant and the console. Also, assume that the costs of developing compatible versions are not an important factor in this decision. [70%]

2 (a) Briefly discuss the concept of price discrimination; illustrate your answer with an example. [30%]

(b) Bouchon is a (fictional) high-end restaurant in a metropolitan city. Founded two decades ago, it has since gained a considerable reputation for luxurious dining. The restaurant offers the same food menu and wine menu at all times. It has recently decided to include in its wine menu not only its own wine prices, but also the prices for the same wines charged by its major competitors in the same city – a strategy that is not being practiced by any of those competitors. Discuss the pros and cons of this strategy for Bouchon. [40%]

(c) Presently Bouchon is often fully booked with a long waiting list on weekends, but there are often many empty tables on weekdays, especially at weekday lunchtimes. In view of this, Bouchon has decided to implement the following pricing strategy from next month onwards: there will be a 20% discount on food at weekday lunchtimes, and a 10% discount on food in weekday evenings. On weekends customers will be paying the full prices listed on the same food menu. Discuss the pros and cons of this strategy for Bouchon. [30%]

3 (a) Describe the dollar auction and discuss its relevance to competitive innovation. [30%]

(b) Cotta, a (fictional) software company, has already made a small initial investment to develop a new software product; presently development is at a stage of conceptualisation without any prototype. It is already known in the industry that Cotta is developing this software, although Cotta has kept its stage of development a secret. At this point, the management at Cotta learn that a rival developer with similar resources and standing in the industry has been developing a similar software; the competitor has also kept its stage of development a secret. Discuss what Cotta could do at this point regarding the development of the new software product. [40%]

(c) Before Cotta has acted upon the information in (b), the competitor reaches out to Cotta with the following proposal: the two companies will invest resources equally to develop the product together; after the completion of the development, each of the two companies will be free to market the product independently under its own brand name. Discuss the pros and cons for Cotta in accepting this proposal. [30%]

**END OF PAPER**

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